



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 4/26/2002

GAIN Report #KS2020

Korea, Republic of

Grain and Feed

Revision of Farmland Ownership in Korea

2002

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Report Highlights:

The Ministry of Agriculture and Forestry proposed revision the Land Act to promote larger-scale farming in "Non-Agricultural Promotion Zones" should help enhance Korea's agricultural competitiveness in a more liberalized marketplace.

The Ministry expects corporations flush with private capital to invest in the agricultural sector, thru their action, provide a boost to the sluggish rural economy.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Seoul [KS1], KS

On April 4, 2002, The Ministry of Agriculture and Forestry (MAF) announced a proposed revision to the Land Act. The purpose of the revision is to allow MAF to modify the farmland ownership system to enable larger-scale farming in "Non-Agricultural Promotion Zones (NAPZ)." Specifically, the revision would allow removal of the farmland ownership cap currently constraining investment by NAPZ farmers. NAPZ land is primarily upland acreage.

Since 1950, Korea has maintained restrictions on all agricultural land ownership. In 1996, the government removed farmland ownership restrictions in "Agricultural Promotion Zones (APZ)" in effort to improve Korea's competitiveness for when the rice market liberalizes. APZ land is primarily that acreage currently devoted to rice cultivation. In 1995, the average size of farms in Korea was 1.31 hectares. By 2000, under more liberalized APZ rules, the average farm size was 1.36 hectares.

Note: Land currently zoned as NAPZ or APZ must remain in agricultural use. It can not be rezoned for industrial or commercial development without governmental approval.

APZ land, regardless of ownership, must remain in agricultural production. It cannot be set to fallow for a year nor can it be transferred to non-agricultural use without government permission (e.g., the government must rezone the land for alternative use). "The Law of Foreign Investment" removed restriction on foreign ownership of APZ and NAPZ land but retained restriction on foreign investment in cereal and livestock production. End note.

Key changes under the MAF's proposed revision to the Land Act include:

- 1) to scrap the five-hectare limit that an individual farmer can hold in "Non-Agricultural Promotion Zone (NAPZ)" land in order to facilitate competitiveness of upland production.
- 2) to allow agricultural corporations to own farmland in order to become more competitive with foreign agriculture entities in a liberalized market that is being driven by the WTO. Private, non-agrarian origin capital is expected to flow into the agricultural sector (via agricultural corporations) and, through that process, energize a sluggish rural economy. The ceiling on investment by agricultural corporations capitalized with non-agrarian resources remains unchanged at less than 50 percent of the total investment in the corporation.
- 3) to allow non-rural families not engaged in commercial agricultural production to own up to 300 pyong (990 square meters as one pyong equals 3.3 square meters) of farmland per household for personal farming. Investments by these households are expected to provide a small boost to the rural economy.

The MAF goal is to review all comments on the proposal and to submit to the National Assembly for approval revised "Land Act" language prior to January 2003.

The MAF expects this revision to the Land Act to bring about a small reduction in total acreage under agricultural utilization as most land acquisition should be by local producers. Their forecast for a slight reduction in total acreage is based on the expectation that non-agrarian farmers would not actively cultivate their land each year. NAPZ land is not required to remain

under agricultural production thus annual tillage by non-agrarian farmers is not be expected.

Note: Non-agrarian farmers owners would be restricted from transferring their NAPZ land to non-farm usage. Such action would require government approval.

The MAF does not expect this revision to impact acreage devoted to rice production given the type of land in NAPZ.